



Alaska Department of Transportation & Public Facilities

Ted Stevens Anchorage International Airport

**John Parrott, AAE
Airport Manager**

March, 2012



Alaska International Airport System Who We Are and How it Works

**Purpose :
To Keep Alaska Flying and Thriving**



3 main points

- Structure
 - Organizational
 - Financial
- Alaska Advantage
- Future



Two Airports – One System



Ted Stevens Anchorage
International Airport

+

=

**Alaska International
Airport System
(AIAS)**

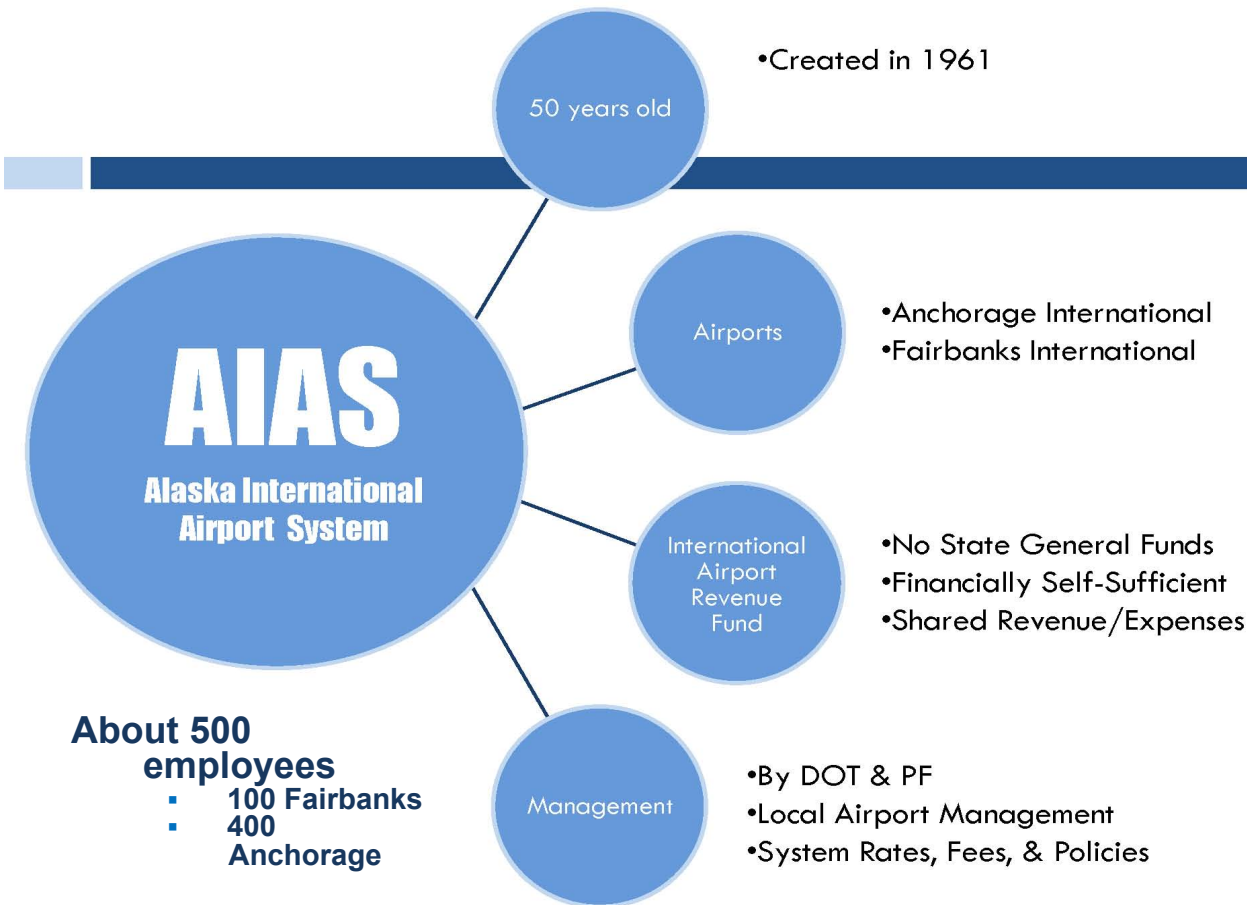


Fairbanks
International Airport

**Created Fifty Years ago by
Ch88 SLA 1961 - (AS
37.15.410-550)**



Self-Sustaining



Alaska's largest
Enterprise Fund

Funded by user
fees not State
General Funds
(small PERS contribution)



Economic Engine

Anchorage

- 15,577 Jobs – one in ten jobs
- About \$724 million in direct annual payroll
- Another \$303 million in annual payroll for jobs in the community

Fairbanks

- 1,900 Jobs - one in twenty jobs
- \$225 million in economic output
- Ranked 85th in the nation in weight of total mail and freight (2010)

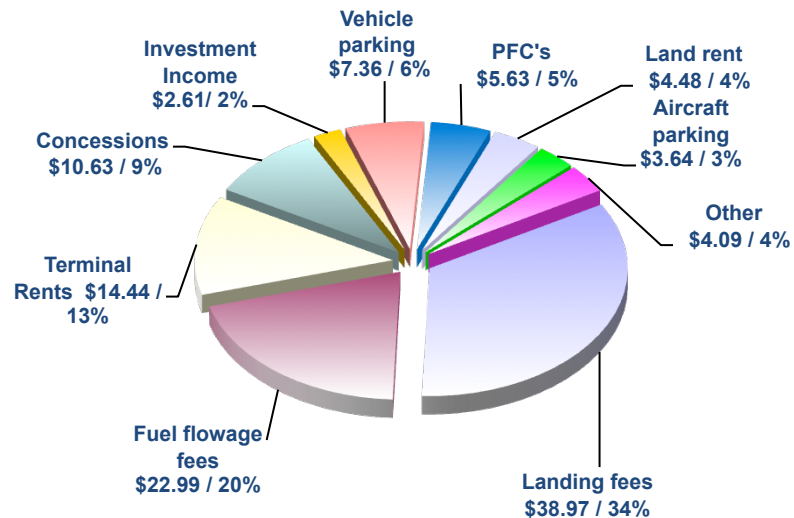
*Source: 2011 McDowell Group Study

*Source: 2011 Alaska Aviation System Plan Study



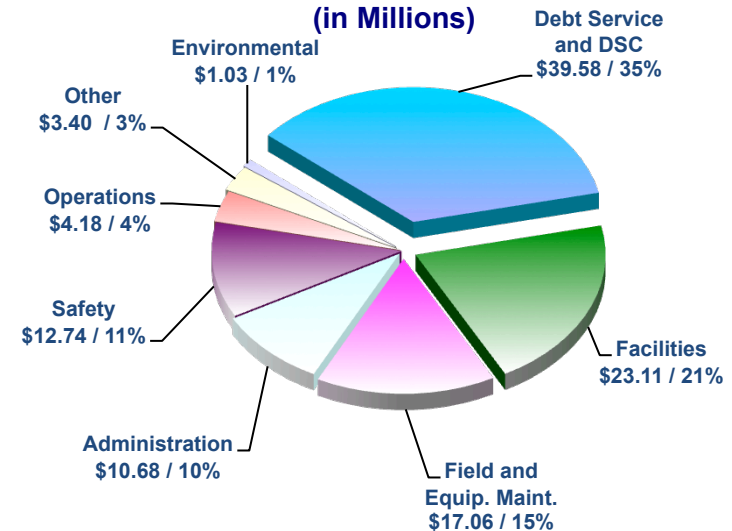
AIAS Revenues and Costs

**AIAS
FY2011 Revenue Sources
(in Millions)**



\$101M in Operating Revenues

**AIAS
FY 2011 Annual Operating Costs
(including Debt Service & Coverage)
(in Millions)**



Costs are covered by adjustments to rates and fees – self sustaining system



Operating Agreement with Carriers

- **Residual Cost Model**
 - **Signatory Carriers underwrite**
 - **Signatory Carriers have a voice**
- **Authority to Issue Revenue Bonds**
- **Current agreement expires 30 Jun 2013**



Alaska International Airport System

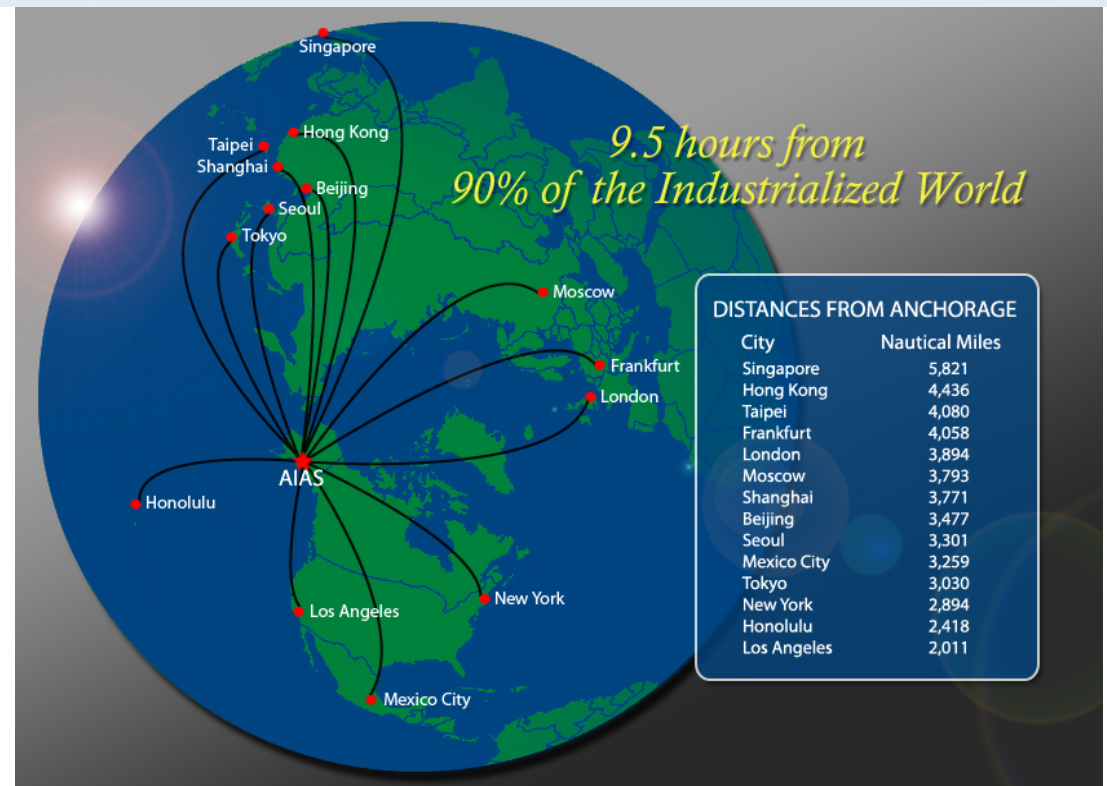
The Alaska Advantage



Location and Two Airports

- 9.5 hours from 90% of Industrialized World
- Never a same day closure (except 9/11)

+/- 10 minutes diversion Trans-Pac





Payload Versus Range

Example:

SHA-ANC-OAK

Distance = 6157 NM

Payload = 110,000 KG

SHA-OAK

Distance = 6013 NM

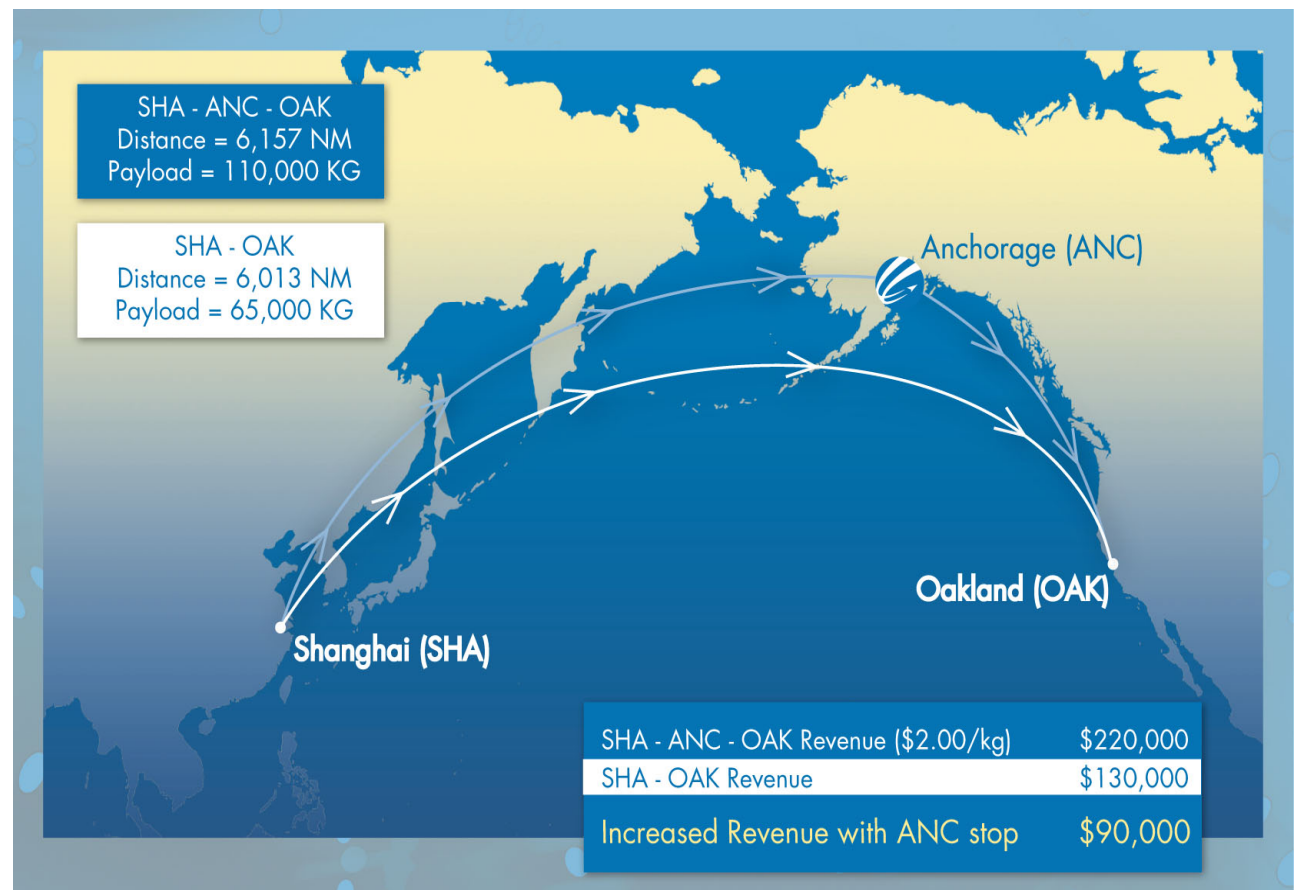
Payload = 65,000 KG

At \$2.00/kg:

SHA-ANC-OAK = \$220,000

SHA-OAK = \$130,000

ANC Stop = +\$90,000





US/Global rankings

Ran k	City	Weight (Metric tons)
1	Memphis	3,916,811
2	Anchorage	2,646,695
3	Louisville	2,166,656
4	Miami	1,835,797
5	Los Angeles	1,747,629
6	Chicago	1,376,552
7	New York	1,344,126
8	Indianapoli s	1,012,589
9	Newark	855,594
10	Atlanta	659,129

Ran k	City	Weight (Metric tons)
1	Hong Kong	4,165,852
2	Memphis	3,916,811
3	Shanghai	3,228,081
4	Incheon	2,684,499
5	Anchorag e	2,646,695
6	Paris	2,399,067
7	Frankfurt	2,275,000
8	Dubai	2,270,498
9	Tokyo	2,167,853
10	Louisville	2,166,656



Large and Diverse Customer Base





Anchor Tenants

UPS

- Operates 11 wide-body aprons in a 90,000 sq.ft. facility
- Established ANC as pilot domicile in 2007
- Opened 27,000 sq.ft. pilot training facility in 2008 – \$35M investment



FedEx

- Invested in excess of \$150M in ANC facilities
- ANC serves as primary hub for
- Completed multi-phased expansion of package sorting facility in 2007





Asia Centric Cargo Market

- **Over 99% of cargo through AIAS -- five Asian origins (China, Taiwan, Korea, Japan, Hong Kong)**
- **N. America - Asia cargo through AIAS expected to grow ~ 1-2%**
- **71% of all Asia-bound air cargo from U.S. goes through ANC**
- **82% of all U.S.-bound air cargo from Asia goes through ANC**
- **All Asia-North America carriers have flights through Anchorage**
- **Approximately 80% of AIAS carrier generated revenue is cargo**

*Source: 2011 McDowell Group Study



Competition

- **Portland, Seattle Vancouver, and Prince George have all visited Asia in an effort to recruit cargo.**
- **FAA prohibits airports from direct payment incentives, i.e., risk abatements. As a result, these programs are generally state or local government funded.**
- **Airports allowed to waive fees for a limited period.**
- **AIAS implemented Passenger and Cargo Incentive Program in 2011 that waives landing fees for six months for new city pairs or relocated cargo flights.**

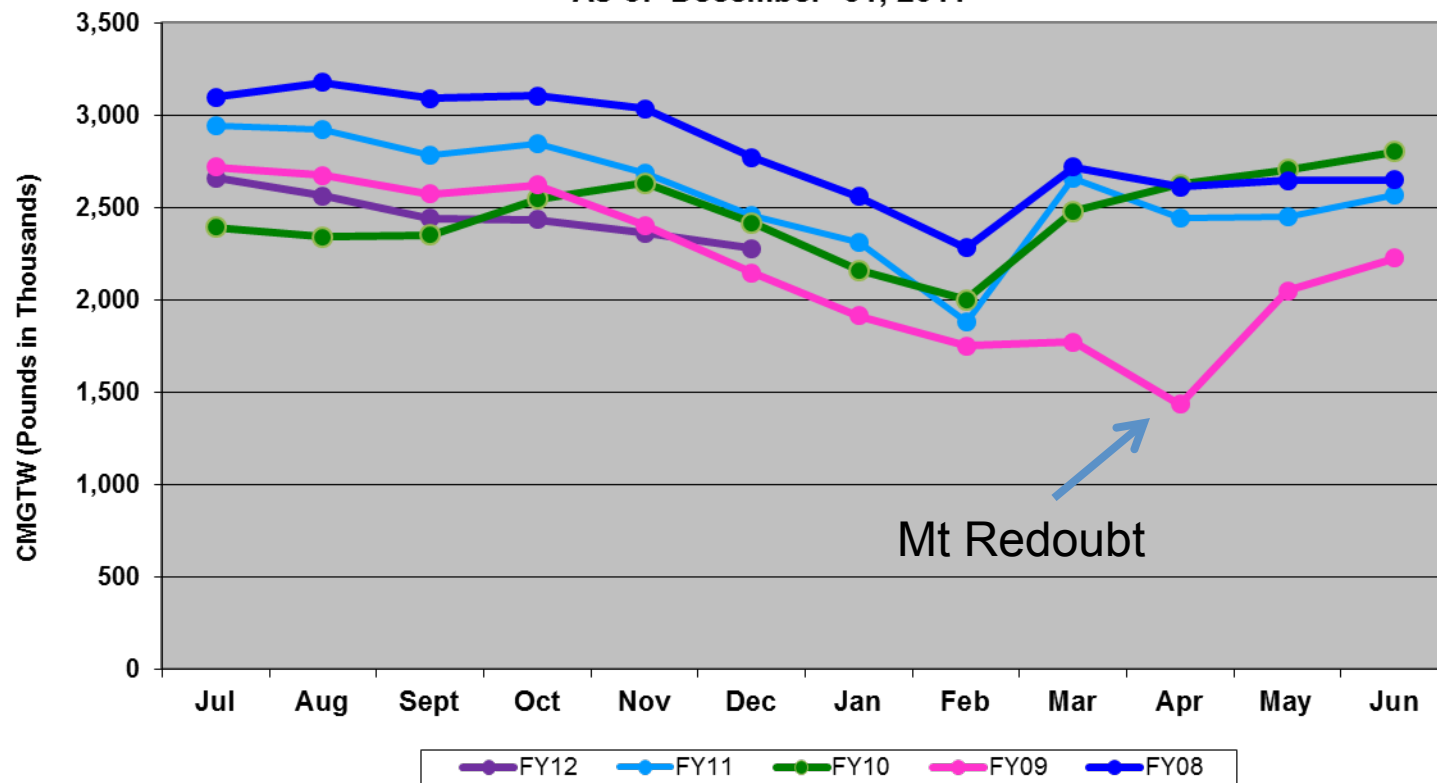


**AIAS
FY08 - FY12 YTD
Monthly Enplanements
As of December 31, 2011**



Cargo Activity: -12% Ytd FY12

AIAS
FY08 - FY12 YTD
Monthly Reported Combined Cargo - Pax CMGTW
As of December 31, 2011





What Causes Decreased Activity?

- **The global economy.....**
- **Other risk factors:**
 - **Fleet mix (passenger 777)**
 - **Potential competitor airports**
 - **Perceptions that operating at/through AIAS doesn't “pencil”**
- **We aggressively and collaboratively manage those factors within our control, while also proactively marketing and myth busting**



Alaska International Airport System

Future



Kulis

- **Background:**
 - 129 acres in ANC South Airpark
 - Leased from State by USAF from 1959 to 2011
 - USAF licensed Alaska Air National Guard to operate as Kulis Air National Guard Base.
- **Base Realignment and Closure (BRAC)**
 - Initiated in 2005
 - Action: Close Kulis Air Guard Station (AGS), AK. Relocate the 176th Wing (ANG) to Elmendorf Air Force Base, AK.
 - Closure deadline Sept. 15, 2011



Kulis

- **Leasing Interest**

- **Government Entities**

- Various State and Federal agencies have expressed interest in the non-aeronautical facilities

- **Private Corporations**

- High level of interest to lease non-aeronautical buildings as corporate campus for large private entities. Third party developers looking to sublease to private entities.

- **Film Industry**

- Film companies scouting Alaska for film production are interested in the use of the hangars and one or two office buildings for 6-8 month periods.



Fuel Supply

- Fuel market is entirely private
- 2009 fuel shortage caused by swift and unexpected recovery in air cargo market
- Some carriers opted to overfly AIAS lacking confidence in fuel supply
 - Fuel price and supply a large part of airline routing decisions
- New suppliers entered the market
- Private industry is increasing storage
- Status today: low risk of a repeat of 2009



Preserving/Increasing Cargo Activity

- **Working cooperatively with airlines**
- **Held Alaska Cargo Summits in 2010, 2011**
- **Followed up with Asia trips**
 - **Build relational equity and market Alaska advantages**
- **Comprehensive ALAS Strategic Planning in 2011**
- **Implemented Cargo Incentive Program**



Passenger Activity

**550,000 out-of-state and int'l visitors transited ANC;
85,000 through FAI in 2011**

Japan Airlines winter charters to FAI

Jet Blue initiated ANC-Long Beach

United announced new Fairbanks-Denver for 2012

Working with Alaska "Coalitions of the Willing"

Implemented Passenger Incentive Program



Collaborative Relationships

We're working closely with airline partners to get through recent traffic downturn. The following is AAAC's written response to AIAS's November 2011 rate increase:

"The State worked collaboratively with the AAAC Chairs...to determine the most prudent course to take."

"The State has been very collaborative in their approach...to address the needs of both the Airlines and the Airport." AAAC Co-Chairs



Strategic Planning & Marketing

- **System planning/responses to previous management reviews**
 - **Strategic Plan (2011)**
 - **Business Plan (2012)**
 - **Human Resources Study (2011/12)**
 - **Marketing Plans / System Branding (Ongoing)**
- **Proactive communications**
 - **Work with CVB's and EDC's to strategize opportunities**
 - **Attend passenger and cargo conferences to promote AIAS**
 - **Pursue Asian carriers**



New Operating Agreement

- **Negotiate Operating Agreement with Signatory Airlines**
- **Existing OA expires June, 2013**
- **New Capital Improvement Program**
- **Review rates and fees model**
- **Review next OA term**



Takeaways

- **Two Airports - One System**
- **Self-sustaining - no general funds**
- **Business-centric: rates and fees and self-supporting bonds**
- **Economic engine of regional, state, and global significance**
- **Critical aviation enabler in our nation's most aviation-centric state**
- **Working cooperatively with the airlines – they shoulder the financial risk - unilateral state action puts this relationship at risk**
- **Aggressive strategic planning to protect and enhance our system**
- **Great people doing great things for our state**

Keeping Alaska flying and thriving!

Integrity - Enterprising - Excellence - Respect



3 main points

- Structure
 - Organizational
 - Financial
- Alaska Advantage
- Future



Thank you!

Questions?

John Parrott, AAE
Airport Manager